

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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West Delaware County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2006 election)**

Gary Johnson	President	2008
Elwyn Curtis	Vice President	2006
Ilona Durey	Board Member	2006
Mike Ryan	Board Member	2007
Edith Fortmann-Comley	Board Member	2008

**Board of Education  
(After September 2006 election)**

Gary Johnson	President	2008
Elwyn Curtis	Vice President	2009
Mike Ryan	Board Member	2007
Edith Fortmann-Comley	Board Member	2008
Cheryl Stufflebeam	Board Member	2009

**School Officials**

Rick Hilbert	Superintendent (Deceased 11/2007)	2007
Ron Goerdt	Director of Finance/ Board Secretary	2007
Jeff Krausman	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
West Delaware County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Delaware County Community School District, Manchester, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Delaware County Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2008 on our consideration of West Delaware County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 21 and 44 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Delaware County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

April 30, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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West Delaware County Community School District provides this Management's Discussion and Analysis of its financial statements to assist in the viewer's comprehension of the overall document. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. The reader is encouraged to consider this information in conjunction with the District's financial statements, which follow.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. The District has made every attempt so that the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds and account groups in accordance with generally accepted accounting principles, (GAAP). All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

### **DISTRICT BACKGROUND**

West Delaware County Community School District covers an area of 237 square miles in Northeast Iowa, encompassing the communities of Dundee, Greeley, Manchester, Masonville and Ryan, and serves the majority of students in Delaware County. Manchester is the county seat and the principal trading center for the surrounding area. The District is governed by an elected five-member Board of Directors who serve staggered three-year terms. The Board is a policy-making and planning body whose decisions are carried out by central office and building administrators.

The October, 2006 Certified Enrollment Report recorded a budget enrollment of 1,662.2 students, ranking West Delaware as the 58th largest of Iowa's 365 public school systems. The District operates one regular and one alternative high school, a middle school and a JK-4 elementary, offering a full range of educational services appropriate to students in early childhood through grade twelve. These services include both basic and enriched academic instruction; special education for children with special needs, vocational education and numerous individualized programs such as specialized instruction for at-risk students. The district employs 130 teachers to carry out its educational mission, which is formally stated as providing a safe, culturally rich environment in which all students can reach their full potential academically, emotionally and socially.

In addition to the typical elementary, middle school and high school programs, the district also operates before and after school instructional programs, summer school, and shared-time programs with the local private school. The District also sponsors before and after school daycare services in conjunction with the YWCA program housed at the elementary site, as well as an offsite Special Education program through an agreement with Delaware County Regional Medical Center's Partner's in Success Program. A wide range of extracurricular activities is supported through membership and participation in the WaMaC Athletic Conference and West Delaware students are regular contenders at state-level events.

Continuing education opportunities are available within easy commuting distance at the University of Northern Iowa in Cedar Falls; Loras College, Clarke College and the University of Dubuque in Dubuque; Upper Iowa University in Fayette; Wartburg College in Waverly; Hawkeye Institute of Technology in Waterloo; Northeast Iowa Community College in Peosta; and Coe College, Mt. Mercy College and Kirkwood Community College in Cedar Rapids.

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The District is supported financially by state aid, property tax, income surtax, state and federal grants for special projects and local revenue received for tuition and other services.

## **District Facilities**

The District has five buildings situated on three campuses.

<u>Building</u>	<u>Construction Dates</u>	<u>Grades</u>
High School	1952, 53, 54, 55, 59, 60, 96, 2006	9-12
High School Annex	1891, 1912, 20, 40	9-12
Middle School	1970, 90	5-8
Lambert Elementary	1962, 92	K-4
Kindergarten School	1916	PK, Kdgn.

## **Certified Enrollment**

Certified enrollment for the official September count in the past five years has been as follows:

<u>Fiscal Year</u>	<u>Enrollment</u>
2006-07	1,662.2
2005-06	1,674.7
2004-05	1,663.4
2003-04	1,740.8
2002-03	1,825.8

## **Open Enrollment**

For a variety of reasons, students enroll into or out of the District in compliance with Iowa's Open Enrollment law. Listed below are open enrollment results for the periods described:

<u>Fiscal Year</u>	<u>Enrolled In</u>	<u>Enrolled Out</u>
2006-07	59.0	117.0
2005-06	64.0	104.4
2004-05	64.0	91.2
2003-04	60.0	98.2
2002-03	43.0	83.6

## **2007 FINANCIAL HIGHLIGHTS**

The District welcomed a new source of revenue when county residents approved a 1% School Infrastructure Local Option (SILO) Tax on May 20, 2003. Receipts generated from this county-wide vote commenced in the second quarter of 2004 following a January 1st implementation. District residents had also approved by a wide margin the continuation of a 10-year Physical Plant and Equipment Levy beginning 7/1/2006 at a September 13, 2005 election. In conjunction with the SILO funding, an infrastructure building and remodeling campaign, termed Phase I, occurred primarily on the high school campus. A total of \$7.5 million was earmarked for school improvements including; 16 classrooms, band and vocal music areas, student commons, kitchen and cafeteria, and a 700 seat auditorium. At the end of the year that project was nearing completion.

At a vote on September 25, 2007, County residents approved renewal of the SILO funding for an additional 10 years when the original tax ends in 2012. The School Board is currently working with the architect to take advantage of this funding stream to design a Phase II construction project including; a competition gymnasium at the high school campus, eight classrooms and a

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commons/cafeteria at Lambert Elementary, and the remodeling of the current kindergarten building into a central administration office.

General Fund revenues increased from \$12,805,769 in fiscal 2006 to \$13,330,035 in fiscal 2007, while General Fund expenditures increased from \$13,463,273 in fiscal 2006 to \$13,802,382 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$634,347 in fiscal 2006 to a balance of \$162,000 in fiscal 2007. Despite frequent cutbacks in state aid during the past several years, the District managed its finances well enough to run its 2003-04 and 2004-05 operations without incurring a deficit, but deficit spending in 2005-06 and 2006-07 was due in part to decreasing student enrollment that didn't allow revenues to keep pace while committing General Fund dollars to pay for some of the remodeling and new construction costs. This expense was specifically Board approved. Over this period, the financial solvency ratio has fallen from the 10-12% range to nearly 1%. The District is anticipating not replacing some staff from early retirements in the teaching ranks to help control future expenses.

As of 6/30/07, the District has bonded indebtedness totaling \$5,305,000, having sold \$2,075,000 of PPEL Capital Loan Notes and \$3,785,000 of SILO Revenue Bonds in January 2006 and completing payments on one year of the debt schedule.

The District once again received an unqualified audit opinion, representing an acknowledgement that a sufficient degree of internal control, proper financial management and oversight exists. Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

## **Fund Accounting**

The District is organized and operates as a school corporation pursuant to Chapter 274 of the Code of Iowa. As such, the District maintains separate funds as allowed by statute. Following is a description of each fund.

The **General Operating Fund** is used to account for all transactions except those that are required by law to be accounted for in another fund. The bulk of General Fund revenues are derived from local property taxes and State foundation aid sources. The District receives a mix of property tax and State foundation aid based on a formula that takes into account enrollment, property valuations and costs per pupil. The description of the formula is found in Chapter 257.1 of the Code and reads as follows:

"For a budget year, each school district in the State is entitled to receive foundation aid in an amount per pupil equal to the difference between the amount per pupil of foundation property tax in the district, and the combined district cost per pupil, whichever is less."

The Code also allows for an "Allowable growth," defined as ". . . the amount by which State cost per pupil and district cost per pupil will increase from one budget year to the next" which is calculated each year by the Iowa Department of Management.

Presented below is the allowable growth the District has received (in total dollars) for the period indicated: Negative student enrollment growth equates to negative allowable growth from the state.



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However, the state grants additional taxing authority, known as the Budget Guarantee, to districts in declining enrollment situations, and allows them to assess local property taxes in an amount such that the next years budget is not less than a base year budget plus adjustments. This works on a declining percentage basis so that each year a district can only seek 10% less than the prior year's tax asking, thus effectively weaning them slowly away from this supplemental funding.

Additional property tax generated by the Budget Guarantee for West Delaware is:

<u>Fiscal Year</u>	<u>Addl. Property Tax</u>
2006-07	\$155,224
2005-06	\$485,936
2004-05	\$500,652
2003-04	\$322,839
2002-03	N/A

The District has generated a revenue mix in the Operating Fund as follows:

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>State Aid</u>
2006-07	\$4,339,917	\$6,273,090
2005-06	\$4,353,762	\$5,867,667
2004-05	\$4,285,433	\$5,848,200
2003-04	\$4,220,208	\$5,899,356
2002-03	\$3,996,063	\$6,016,298

**Additional General Fund state and local revenue:**

Instructional Support

Districts are allowed to fund supplementary educational programs or enhance current programs under the Instructional Support program, which allows a district to additionally generate up to 10% of the total regular program district cost for the budget year. These revenues can be locally generated from either ad valorem taxation, income surtax or both. In addition, revenues are appropriated by the State and provided to each district depending on formula. The District can participate in the instructional support program by generating local revenues after either (i) scheduling and holding an election on the proposed funding, programs, and mix of funding, which requires 50% approval of those voting at a special district election and allows the program to be funded for a period of ten years; or (ii) after scheduling and holding two hearings on the programs and mix of funding, which can then be implemented after a 28-day period during which voters of the District can force an election, for a period of five years. West Delaware School District has a Board-authorized 5% Instructional Support program that generated \$364,963 in additional revenues during FY07. To assure a continued funding stream, the School Board committed to a 5 year extension of the levy through FY2012.

Cash Reserve Levy

The District can certify as part of its General Fund levy an additional property tax known as the Cash Reserve levy. This levy covers cash-flow needs and funds programs when other revenue sources are delayed or reduced. It is levied annually at the discretion of the Board of Directors. The District has levied the following in cash reserve for the period indicated:

<u>Fiscal Year</u>	<u>Cash Reserve Levy</u>
2006-07	\$400,000
2005-06	\$200,000
2004-05	\$166,427
2003-04	\$100,000
2002-03	\$180,000

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The **Management Fund** is a special revenue fund tax levy used to account for all financial transactions authorized under section 298.4, Code of Iowa. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of property, liability, auto and worker's compensation insurance and judgments or settlements relating to liability. Presented below are the Management Fund levies for the periods indicated:

<u>Fiscal Year</u>	<u>Levy per \$1,000</u>
2006-07	\$.76817
2005-06	\$.89755
2004-05	\$.75695
2003-04	\$.79935
2002-03	\$.59962

The **Physical Plant and Equipment Fund (PPEL)** is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, under section 298.2, Code of Iowa. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. The purpose of the fund is to pay the costs of specified major expenditures related to facilities, grounds and certain equipment. The District's current levies include the .33 Board authorized levy and the .67 voted levy.

The **Student Activity Fund** is a special revenue fund used to account for money received from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related co curricular or extracurricular activities. Monies in this fund must be used to support only the program defined in the administrative rules of the department of education. The Activity Fund is under the control of the School Board. No taxes are levied for this fund.

The **Capital Projects Funds** are established when a district issues bonds or other authorized indebtedness for capital projects or for the proceeds from a School Infrastructure Local Option Tax. When a capital project for facilities is initiated in any existing fund, the monies for that project are transferred to a capital project fund by an operating transfer from the fund authorized to initiate the acquisition or construction. Payments of the project's expenditures are made from the capital project fund established to account for the project.

The **Debt Service Fund** is established when a district issues bonds or other long-term indebtedness, except those financed by proprietary or trust funds. The purpose of the fund is to pay interest and principal when due, on bonds or other authorized indebtedness issued by the district, and to make payments required under a loan, lease-purchase agreement, or other evidence of indebtedness authorized by the Code of Iowa. Monies available to service this debt and received from sources other than the debt service property tax levy shall be transferred to the Debt Service Fund through an operating transfer from the fund which issued the original indebtedness, and the payment of the debt shall be made from the debt service levy fund. Expenditures for the payment of general long-term debt, including both principal and interest must be budgeted in the debt service fund.

The **School Nutrition Fund** is a proprietary enterprise fund used to account for all transactions for the nutrition program authorized under chapter 283A, Code of Iowa. The program is supported by user fees, state and federal reimbursements, and District subsidies; no taxes are levied for this fund.

The **Private Purpose Trust Funds** are fiduciary funds used to account for money and property received and administered by the district as trustee or custodian or in the capacity of an agent. Generally, nonexpendable trust funds, pension trust funds, and agency funds are not budgeted.

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## **Historic and Potential State and Federal Actions That Impact Current and Future District Budgets**

The District's operating budget is subject to change based on events outside of its control, including State and Federal funding. There may be changes in funding that are unknown or unanticipated at budget preparation time. Presented below is a discussion of some of the known conditions that could impact the District's operating budget:

### **State Funding**

After the appropriation of State Aid (and after the adoption of the District's budget for a particular fiscal year), the Governor and the General Assembly have the ability to rescind all or a portion of the appropriation. Certain areas of the State's budget are exempt from these potential cuts, however, K-12 and community college funding are not exempt from rescission. Historically, rescissions were imposed in an "across-the-board" fashion, and all state funding was reduced in a percentage format. This had the potential to impact schools with low valuation per pupil much greater than schools with high per pupil valuations. In the 2002 General Assembly, the formula for rescission was altered for K-12 funding, such that all future rescissions, if any, would be applied to K-12 education on a "per-pupil" basis.

Historically, the Governor has rescinded state aid in the following percentages since 1980:

<u>Date</u>	<u>Percentage Rescission</u>
October 10, 2003	2.5%
November 1, 2001	4.3
April 8, 1992	.62
July 1, 1991	3.25
September 3, 1983	2.8
December 15, 1980	1.0
August 12, 1980	3.6

State revenues have rebounded since these times, and no further cut backs have been necessary

### **Federal Funding**

Federal legislation with respect to student achievement in future years may result in sanctions that could have financial implications for the General Fund operating budget. The "No Child Left Behind" act of 2001 applies sanctions to under-performing schools that, if the school remains under-performing (as defined by the act) allows the parents of pupils in the school to move to another school, transferring their funding to the new school. This act applies to individual school facilities and does not necessarily apply to school districts, however, the revenue impact to a school district could be material if the school district has a school facility that under-performs and starts to lose enrollment.

## **Investment of Public Funds**

The District invests its funds pursuant to Chapter 12B of the Code of Iowa. No irregularities in the District's investing activities have been noted in District audits. Presented below is a summary of the investments from all Funds of the District as of June 30, 2007.

\$1,200,000	Fixed rate CD's
\$2,827,167	Local Bank guaranteed rate investments & cash on hand

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### **Iowa School Cash Anticipation Program ("ISCAP")**

ISCAP issues warrants on behalf of member districts in the State of Iowa to fund cash flow deficits created by delinquent state aid or property tax receipts. The District has been a member since 1986. As the District's unspent cash balance has improved, reliance on ISCAP has diminished. Presented here is a history of the certificates issued.

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Fiscal Year</u>	<u>Principal Amount</u>
2005-06B	0	1997-98A	795,000
2005-06A	0	1996-97B	0
2004-05B	0	1996-97A	250,000
2004-05A	607,000	1995-96B	0
2003-04B	0	1995-96A	0
2003-04A	0	1994-95B	0
2002-03B	0	1994-95A	330,000
2002-03A	0	1993-94	755,000
2001-02B	0	1992-93	0
2001-02A	0	1991-92	1,000,000
2000-01B	0	1990-91	960,000
2000-01A	0	1989-90	890,000
1999-00B	0	1988-89	590,000
1999-00A	213,000	1987-88	670,000
1998-99B	0	1986-87	710,348
1998-99A	0	1985-86	724,290
1997-98B	0		

### **Pensions**

All District employees qualify for participation in the Iowa Public Employees Retirement System (IPERS). Both the District and its employees contribute a fixed percentage of gross salary to this fund. Present contributions are established at the following levels:

	<u>Percentage</u>
District Share	5.75%
Employee Share	<u>3.70%</u>
Total	9.45%

The fund is administered by the State with administrative costs paid from income derived from invested funds. There are no additional costs to the District.

### **Property Tax Assessment**

In compliance with section 441.21 of the Code of Iowa, as amended, the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called Actual Valuation, are then adjusted by the County Auditor. Assessed or Taxable Valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential property.

Beginning in 1978, the State required a reduction in Actual Valuation to reduce the impact of inflation on its residents. The resulting value is defined as the Assessed or Taxable Valuation,

<u>Fiscal Year</u>	<u>Agricultural</u>	<u>Residential</u>	<u>Railroad</u>	<u>Commercial</u>
2006-07	100.0000	45.9960	100.0000	100.0000
2005-06	100.0000	47.9642	100.0000	100.0000
2004-05	100.0000	48.4558	99.2570	99.2570
2003-04	100.0000	51.3874	100.0000	100.0000
2002-03	100.0000	51.6676	97.7701	97.7701
2001-02	100.0000	56.2651	100.0000	100.0000
2000-01	96.3381	54.8525	100.0000	98.7732
1999-00	100.0000	56.4789	100.0000	100.0000
1998-99	96.4206	54.9090	97.3606	97.3606
1997-98	100.0000	58.8284	100.0000	100.0000
1996-97	100.0000	59.3180	100.0000	97.2824

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. For example, the assessments finalized on January 1, 2003 are used to calculate tax liability for the tax year starting July 1, 2005 through June 30, 2007. Presented below is the historic property valuations of the District by class of property.

### **Historic Property Valuations by Class of Property**

#### **Taxable Valuation**

Valuation as of January . .	2005	2004	2003	2002
Fiscal Year . . .	<i>2006-07</i>	<i>2005-06</i>	<i>2004-05</i>	<i>2003-04</i>
Residential:	136,705,387	125,753,318	123,971,015	128,429,574
Agricultural Land:	101,210,624	101,315,724	101,416,324	114,074,283
Ag Buildings:	19,598,460	19,610,360	19,607,260	21,769,260
Commercial:	47,970,884	42,286,016	41,209,046	42,021,703
Industrial:	14,865,171	14,800,016	14,164,622	14,595,577
Personal RE:	292,800	293,000	293,000	293,000
Railroads:	939,971	683,454	381,801	278,900
Utilities:	50,889,259	50,985,220	48,924,332	46,544,502
Utility Replacement:	12,743,139	12,606,964	13,164,911	14,948,323
TIF Valuation:	10,200,000	10,720,000	10,710,000	10,900,000
Other:	0	0	0	0
Total Valuation:	395,415,695	379,054,072	373,842,311	393,855,122
Less Military:	1,226,024	1,227,776	1,222,155	1,235,132
NET Valuation:	394,189,671	377,826,296	372,620,156	392,619,990

#### **Actual Valuation**

Valuation as of January . .	2005	2004	2003	2002
Fiscal Year . . .	<i>2006-07</i>	<i>2005-06</i>	<i>2004-05</i>	<i>2003-04</i>
Residential:	303,880,469	268,850,332	262,512,132	249,924,250
Agricultural Land:	101,210,624	101,315,724	101,416,324	101,416,324
Ag Buildings:	19,598,460	19,610,360	19,607,260	21,769,260
Commercial:	33,982,698	33,429,198	31,474,758	42,021,703
Industrial:	6,749,195	6,743,880	6,146,565	14,595,577
Personal RE:	292,800	293,000	293,000	293,000

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Railroads:	948,021	683,454	384,660	278,900
Utilities:	50,889,259	50,985,220	48,924,332	46,544,502
Utility Replacement:	17,382,519	16,573,695	15,479,434	13,164,911
TIF Valuation:	33,974,378	33,288,338	29,456,458	10,900,000
Other:	0	0	0	0
Total Valuation:	568,908,423	531,773,201	515,694,923	500,908,427
Less Military:	1,226,024	1,227,776	1,222,155	1,235,132
NET Valuation:	567,682,399	530,545,425	514,472,768	499,673,295

### Historic Property Valuations by Class of Property

Valuation Year	Budget Year	Net Taxable Valuation w/Utilities	Percentage Change Taxable Valuation
2005	2006-07	384,189,671	3.19%
2004	2005-06	382,826,296	2.74%
2003	2004-05	372,620,156	-5.09%
2002	2003-04	392,619,990	3.96%
2001	2002-03	377,646,930	6.57%
2000	2001-02	354,370,485	8.11%
1999	2000-01	327,792,129	4.01%
1998	1999-00	315,157,801	7.60%

### Tax Rates

Taxes levied by the District for the fund groups as presented, for the period indicated:

	<u>Operating</u>	<u>Management</u>	<u>Voted PPEL</u>	<u>Board PPEL</u>	<u>Debt Service</u>	<u>TOTAL</u>
2006-07	11.30217	0.76817	0.67000	0.33000	0.00000	13.07034
2005-06	11.70090	0.89755	0.67000	0.33000	0.00000	13.59845
2004-05	11.84115	0.75695	0.67000	0.33000	0.00000	13.59810
2003-04	11.05577	0.79935	0.67000	0.33000	0.00000	12.85512
2002-03	10.89151	0.59962	0.60000	0.33000	0.00000	12.42113

### Largest Taxpayers

<u>Taxpayer</u>	<u>2005 Taxable Valuation</u>
Alliance Pipeline	45,843,290
Interstate Power & Light Co.	7,355,988
Exide Corporation	5,633,633
Central Iowa Power Coop	3,822,586
Iowa Telecommunications	3,498,971
Warden Centre, Inc.	1,523,949
Wal-Mart Real Estate Business Trust	1,479,949
R.E.H. Investments Inc.	1,349,481
Acquisitions Investments of Manchester	1,321,440
Hutchinson Inc.	1,252,457

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**Property Tax Collection History – All Funds**

Fiscal Year	Amount Levied	Amount Collected	Percentage Collected
2006-07	\$4,813,649	\$4,816,085	100%
2005-06	\$4,843,279	\$4,843,755	100%
2004-05	\$4,665,263	\$4,574,030	98%
2003-04	\$4,547,344	\$4,580,746	101%
2002-03	\$4,376,261	\$4,337,802	99%
Average Percentage Collected:			100%

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Delaware County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Delaware County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Delaware County Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**West Delaware County Community School District Annual Financial Report**

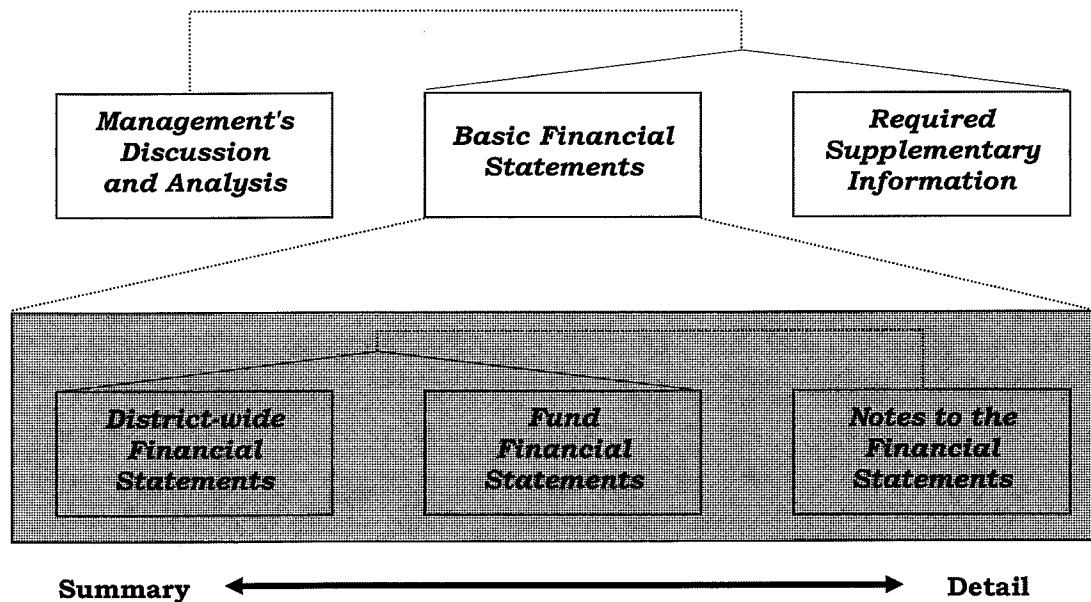




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to

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measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three categories of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's self-funded insurance plan.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust Fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 9,907,783	15,082,815	74,621	226,469	9,982,404	15,309,284	-34.80%
Capital assets	7,720,631	1,417,709	165,144	25,440	7,885,775	1,443,149	446.43%
Total assets	17,628,414	16,500,524	239,765	251,909	17,868,179	16,752,433	6.66%
Long-term obligations	5,743,535	6,328,042	0	0	5,743,535	6,328,042	-9.24%
Other liabilities	5,709,593	5,448,858	8,907	8,449	5,718,500	5,457,307	4.79%
Total liabilities	11,453,128	11,776,900	8,907	8,449	11,462,035	11,785,349	-2.74%
Net assets:							
Invested in capital assets, net of related debt	2,415,631	1,417,709	165,144	25,440	2,580,775	1,443,149	78.83%
Restricted	3,511,133	2,581,275	0	0	3,511,133	2,581,275	36.02%
Unrestricted	248,522	724,640	65,714	218,020	314,236	942,660	-66.66%
Total net assets	\$ 6,175,286	4,723,624	230,858	243,460	6,406,144	4,967,084	28.97%

The District's combined net assets increased by \$1,439,060, or 28.97%, over the prior year. The largest portion of the District's net assets is the restricted net assets – resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

The District's restricted net assets increased \$929,858, or 36.02%, over the prior year. The increase in restricted net assets was due to the increase in the reclassification of the capital projects and debt service funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$628,424, or 66.66%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,024,805	1,037,668	381,848	384,371	1,406,653	1,422,039	-1.08%
Operating grants and contributions and restricted interest	1,919,195	1,750,448	241,775	230,354	2,160,970	1,980,802	9.10%
Capital grants and contributions and restricted interest	251,856	79,858	0	0	251,856	79,858	215.38%
General revenues:							
Property tax	5,032,367	5,065,301	0	0	5,032,367	5,065,301	-0.65%
Income surtax	296,513	423,187	0	0	296,513	423,187	-29.93%
Local option sales and services tax	815,986	688,694	0	0	815,986	688,694	18.48%
Unrestricted state grants	6,270,665	5,852,235	0	0	6,270,665	5,852,235	7.15%
Unrestricted investment earnings	319,850	255,796	9,756	8,720	329,606	264,516	24.61%
Other general revenues	219,502	125,560	0	0	219,502	125,560	74.82%
Transfers	(10,717)	0	0	0	(10,717)	0	-100.00%
Total revenues	16,140,022	15,278,747	633,379	623,445	16,773,401	15,902,192	5.48%
Program expenses:							
Governmental activities:							
Instructional	9,724,913	9,051,547	0	0	9,724,913	9,051,547	7.44%
Support services	4,142,838	4,228,853	10,751	8,975	4,153,589	4,237,828	-1.99%
Non-instructional programs	12,005	10,773	635,230	604,102	647,235	614,875	5.26%
Other expenses	808,604	937,760	0	0	808,604	937,760	-13.77%
Total expenses	14,688,360	14,228,933	645,981	613,077	15,334,341	14,842,010	3.32%
Change in net assets	1,451,662	1,049,814	(12,602)	10,368	1,439,060	1,060,182	35.74%
Beginning net assets	4,723,624	3,673,810	243,460	233,092	4,967,084	3,906,902	27.14%
Ending net assets	\$ 6,175,286	4,723,624	230,858	243,460	6,406,144	4,967,084	28.97%

In fiscal 2007, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 76.92% of the revenue and transfers from governmental activities while charges for service and sales and operating grants and contributions account for 98.46% of the revenue and transfers from business-type activities.

The District's total revenues were \$16,773,401 of which \$16,140,022 was for governmental activities and \$633,379 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 5.48% increase in revenues and a 3.32% increase in expenses. Local tax increased by \$127,292 to fund expenditures. The increases in expenses were related to increase in negotiated salaries and benefits.

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## Governmental Activities

Revenues for governmental activities were \$16,140,022 and expenses were \$14,688,360.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 9,724,913	9,051,547	7.44%	7,396,989	6,894,352	7.29%
Support services	4,142,838	4,228,853	-2.03%	3,833,702	4,137,440	-7.34%
Non-instructional programs	12,005	10,773	11.44%	12,005	10,773	11.44%
Other expenses	808,604	937,760	-13.77%	249,808	318,394	-21.54%
Totals	\$ 14,688,360	14,228,933	3.23%	11,492,504	11,360,959	1.16%

- The cost financed by users of the District's programs was \$1,024,805.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,171,051.
- The net cost of governmental activities was financed with \$5,032,367 in property tax, \$296,513 in income surtax, \$815,986 in local option sales and services tax, \$6,270,665 in unrestricted state grants, \$319,850 in interest income and \$219,502 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$633,379 and expenses were \$645,981. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the West Delaware County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,884,677, below last year's ending fund balance of \$9,388,757. The primary reason for the decrease in combined fund balance in fiscal 2007 is due to the construction on the building and addition that took place during the year.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The state's student enrollment driven funding formula has not provided much "new money" over the course of the last several years, yet the District maintains a competitive hiring salary for each of its job classifications. Gearing up for the long awaited construction program on the high school campus used General Fund resources to supplement debt funding. As a result, General Fund expenditures exceeded revenues for the second time in recent history.

- The District had a decrease in Capital Projects Fund financial position from \$5,538,855 in fiscal year 2006 to \$2,384,615 in fiscal year 2007. This decrease was a result construction that took place during the year.
- The Physical Plant and Equipment Levy transferred a little more than \$2 million to assist in financing the high school construction project to the Capital Projects Fund.

### Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$243,460 at June 30, 2006 to \$230,858 at June 30, 2007, representing a decrease of 5.18%.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$7,885,775, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, furnishings athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 446.43% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$256,973.

The original cost of the District's capital assets was \$15,440,433. Governmental funds account for \$15,112,160 with the remainder of \$328,273 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$452,881 at June 30, 2006, compared to \$6,026,547 reported at June 30, 2007. This increase resulted from the capital construction started, but not yet completed by the year end.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 72,250	62,250	0	0	72,250	62,250	16.06%
Construction in progress	6,026,547	452,881	0	0	6,026,547	452,881	1230.71%
Buildings	249,424	91,853	0	0	249,424	91,853	171.55%
Land improvements	455,549	115,309	0	0	455,549	115,309	295.07%
Machinery and equipment	916,861	695,416	165,144	25,440	1,082,005	720,856	50.10%
Total	\$ 7,720,631	1,417,709	165,144	25,440	7,885,775	1,443,149	446.43%

### Long-Term Debt

At June 30, 2007, the District had \$5,743,535 in revenue bonded and other long-term debt outstanding. This represents a decrease of 9.24% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had revenue bonds payable from the Capital Projects Fund of \$3,375,000 at June 30, 2007.

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The District had capital loan notes payable from the Special Revenue, Physical Plant and Equipment Fund of \$1,930,000 at June 30, 2007.

The District had early retirement payable from the General and Special Revenue, Management Levy Fund of \$438,535 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
Revenue Bonds	\$ 3,375,000	3,785,000	-10.83%
Capital Loan Notes	1,930,000	2,075,000	-6.99%
Early Retirement	438,535	468,042	-6.30%
Totals	<u>\$ 5,743,535</u>	<u>6,328,042</u>	<u>-9.24%</u>

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ron Goerdt, Director of Finance, West Delaware County Community School District, 601 New Street, Manchester, Iowa, 52057.

## BASIC FINANCIAL STATEMENTS



WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,999,570	51,868	4,051,438
Receivables:			
Property tax:			
Delinquent	69,874	0	69,874
Succeeding year	5,061,762	0	5,061,762
Income surtax	285,048	0	285,048
Accounts	6,522	0	6,522
Due from other governments	485,007	0	485,007
Inventories	0	22,753	22,753
Capital assets, net of accumulated depreciation(Note 4)	7,720,631	165,144	7,885,775
<b>TOTAL ASSETS</b>	<b>17,628,414</b>	<b>239,765</b>	<b>17,868,179</b>
<b>LIABILITIES</b>			
Accounts payable	511,327	767	512,094
Salaries and benefits payable	62,114	0	62,114
Accrued interest payable	74,390	0	74,390
Deferred revenue:			
Succeeding year property tax	5,061,762	0	5,061,762
Unearned revenue	0	8,140	8,140
Long-term liabilities(Note 5):			
Portion due within one year:			
Revenue bonds payable	435,000	0	435,000
Capital loan notes payable	185,000	0	185,000
Early retirement payable	103,484	0	103,484
Portion due after one year:			
Revenue bonds payable	2,940,000	0	2,940,000
Capital loan notes payable	1,745,000	0	1,745,000
Early retirement payable	335,051	0	335,051
<b>TOTAL LIABILITIES</b>	<b>11,453,128</b>	<b>8,907</b>	<b>11,462,035</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,415,631	165,144	2,580,775
Restricted for:			
Debt service	666,927	0	666,927
Talented and gifted	7,728	0	7,728
Beginning teacher mentoring program	1,360	0	1,360
Salary improvement program	3,224	0	3,224
Professional development	2,418	0	2,418
Additional teacher contract day	2,003	0	2,003
Market factor	11,810	0	11,810
Phase II	2,815	0	2,815
Physical plant and equipment levy	555,417	0	555,417
Capital projects	2,006,115	0	2,006,115
Other special revenue purposes	251,316	0	251,316
Unrestricted	248,522	65,714	314,236
<b>TOTAL NET ASSETS</b>	<b>\$ 6,175,286</b>	<b>230,858</b>	<b>6,406,144</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 6,155,338	393,850	1,158,769	0	(4,602,719)	0
Special instruction	1,778,297	149,165	117,660	0	(1,511,472)	0
Other instruction	1,791,278	476,831	31,649	0	(1,282,798)	0
	9,724,913	1,019,846	1,308,078	0	(7,396,989)	0
Support services:						
Student services	502,674	0	0	0	(502,674)	0
Instructional staff services	627,900	0	0	0	(627,900)	0
Administration services	1,120,354	0	0	0	(1,120,354)	0
Operation and maintenance of plant services	1,290,688	0	0	251,856	(1,038,832)	0
Transportation services	601,222	4,959	52,321	0	(543,942)	0
	4,142,838	4,959	52,321	251,856	(3,833,702)	0
Non-instructional programs:						
Food service operations	12,005	0	0	0	(12,005)	0
Other expenditures:						
Long-term debt interest	221,025	0	0	0	(221,025)	0
AEA flowthrough	558,796	0	558,796	0	0	0
Depreciation(unallocated)*	28,783	0	0	0	(28,783)	0
	808,604	0	558,796	0	(249,808)	0
Total governmental activities	14,688,360	1,024,805	1,919,195	251,856	(11,492,504)	0
Business-Type activities:						
Support services:						
Operation and maintenance of plant services	10,751	0	0	0	0	(10,751)
Non-instructional programs:						
Nutrition services	635,230	381,848	241,775	0	0	(11,607)
Total business-type activities	645,981	381,848	241,775	0	0	(22,358)
Total	\$ 15,334,341	1,406,653	2,160,970	251,856	(11,492,504)	(22,358)
General Revenues and Transfers:						
General Revenues:						
Property tax for:						
General purposes				\$ 4,637,856	0	4,637,856
Capital outlay				394,511	0	394,511
Income surtax				296,513	0	296,513
Local option sales and services tax				815,986	0	815,986
Unrestricted state grants				6,270,665	0	6,270,665
Unrestricted investment earnings				319,850	9,756	329,606
Other general revenues				219,502	0	219,502
Transfers				(10,717)	0	(10,717)
Total general revenues and transfers				12,944,166	9,756	12,953,922
Change in net assets				1,451,662	(12,602)	1,439,060
Net assets beginning of year				4,723,624	243,460	4,967,084
Net assets end of year				\$ 6,175,286	230,858	6,406,144

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 124,331	548,762	2,442,722	780,900	3,896,715
Receivables:					
Property tax:					
Delinquent	60,374	5,396	0	4,104	69,874
Succeeding year	4,356,340	396,958	0	308,464	5,061,762
Income surtax	285,048	0	0	0	285,048
Accounts	2,699	0	0	3,823	6,522
Due from other governments	205,052	9,302	270,653	0	485,007
<b>TOTAL ASSETS</b>	<b>\$ 5,033,844</b>	<b>960,418</b>	<b>2,713,375</b>	<b>1,097,291</b>	<b>9,804,928</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 170,036	8,043	328,760	4,488	511,327
Salaries and benefits payable	60,420	0	0	1,694	62,114
Deferred revenue:					
Succeeding year property tax	4,356,340	396,958	0	308,464	5,061,762
Income surtax	285,048	0	0	0	285,048
Total liabilities	4,871,844	405,001	328,760	314,646	5,920,251
Fund balances:					
Reserved for:					
Debt service	0	0	378,500	288,427	666,927
Talented and gifted	7,728	0	0	0	7,728
Beginning teacher mentoring program	1,360	0	0	0	1,360
Salary improvement program	3,224	0	0	0	3,224
Professional development	2,418	0	0	0	2,418
Additional teacher contract day	2,003	0	0	0	2,003
Market factor	11,810	0	0	0	11,810
Phase II	2,815	0	0	0	2,815
Unreserved:					
General	130,642	0	0	0	130,642
Physical plant and equipment levy	0	555,417	0	0	555,417
Capital projects	0	0	2,006,115	0	2,006,115
Management levy	0	0	0	242,902	242,902
Other special revenue purposes	0	0	0	251,316	251,316
Total fund balances	162,000	555,417	2,384,615	782,645	3,884,677
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,033,844</b>	<b>960,418</b>	<b>2,713,375</b>	<b>1,097,291</b>	<b>9,804,928</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2007

Total fund balances of governmental funds (page 24) \$ 3,884,677

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 7,720,631

Blending of the Internal Service Funds to be reflected on an entity-wide basis. 102,855

Accounts receivable income surtax, are not yet available to finance expenditures of the current period. 285,048

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (74,390)

Long-term liabilities, including revenue bonds payable, capital loan notes payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (5,743,535)

Net assets of governmental activites (page 22) \$ 6,175,286

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 4,639,162	394,511	815,986	295,207	6,144,866
Tuition	475,862	0	0	0	475,862
Other	172,708	132,881	333,451	651,461	1,290,501
Intermediate sources	18,945	0	0	0	18,945
State sources	7,517,496	274	147,936	209	7,665,915
Federal sources	441,240	48,788	0	0	490,028
Total revenues	13,265,413	576,454	1,297,373	946,877	16,086,117
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	6,100,360	181	36,475	108,102	6,245,118
Special instruction	1,773,857	0	0	4,440	1,778,297
Other instruction	1,151,078	0	0	640,200	1,791,278
	9,025,295	181	36,475	752,742	9,814,693
Support services:					
Student services	496,486	0	0	9,548	506,034
Instructional staff services	626,204	0	0	1,696	627,900
Administration services	1,210,395	8,589	0	12,546	1,231,530
Operation and maintenance of plant services	1,204,576	0	0	90,512	1,295,088
Transportation services	680,630	0	0	40,664	721,294
	4,218,291	8,589	0	154,966	4,381,846
Non-instructional programs:					
Food service operations	0	0	0	12,005	12,005
Other expenditures:					
Facilities acquisitions	0	186,748	5,873,546	0	6,060,294
Long-term debt:					
Principal	0	0	0	555,000	555,000
Interest and fiscal charges	0	0	0	261,468	261,468
AEA flowthrough	558,796	0	0	0	558,796
	558,796	186,748	5,873,546	816,468	7,435,558
Total expenditures	13,802,382	195,518	5,910,021	1,736,181	21,644,102
Excess(deficiency) of revenues over(under) expenditures	(536,969)	380,936	(4,612,648)	(789,304)	(5,557,985)
Other financing sources(uses):					
Transfers in	0	0	2,042,739	837,458	2,880,197
Transfers out	0	(2,295,866)	(584,331)	(10,717)	(2,890,914)
Proceeds from the disposal of property	64,622	0	0	0	64,622
Total other financing sources(uses)	64,622	(2,295,866)	1,458,408	826,741	53,905
Net change in fund balances	(472,347)	(1,914,930)	(3,154,240)	37,437	(5,504,080)
Fund balance beginning of year	634,347	2,470,347	5,538,855	745,208	9,388,757
Fund balance end of year	\$ 162,000	555,417	2,384,615	782,645	3,884,677

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 26) \$ (5,504,080)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 6,541,944	
Depreciation expense	<u>(239,022)</u>	6,302,922

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 27,870

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 555,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 40,443

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Early retirement 29,507

Changes in net assets of governmental activities (page 23) \$ 1,451,662

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	Business-Type Activities	
	Enterprise: Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
<b>ASSETS</b>		
Cash and pooled investments	\$ 51,868	102,855
Inventories	22,753	0
Capital assets, net of accumulated depreciation(Note 4)	165,144	0
<b>TOTAL ASSETS</b>	<b>239,765</b>	<b>102,855</b>
<b>LIABILITIES</b>		
Accounts payable	767	0
Unearned revenue	8,140	0
<b>TOTAL LIABILITIES</b>	<b>8,907</b>	<b>0</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	165,144	0
Unrestricted	65,714	102,855
<b>TOTAL NET ASSETS</b>	<b>\$ 230,858</b>	<b>102,855</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise: Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 381,848	83,626
TOTAL OPERATING REVENUES	381,848	83,626
OPERATING EXPENSES:		
Support services:		
Operation and maintenance of plant services:		
Services	10,751	0
Non-instructional programs:		
Food service operations:		
Salaries	255,502	0
Benefits	51,533	0
Services	6,012	0
Supplies	304,232	0
Depreciation	17,951	0
	635,230	0
Other enterprise operations:		
Benefits	0	55,756
Total non-instructional programs	635,230	55,756
TOTAL OPERATING EXPENSES	645,981	55,756
OPERATING INCOME (LOSS)	(264,133)	27,870
NON-OPERATING REVENUES:		
State sources	8,294	0
Federal sources	233,481	0
Interest on investments	9,756	0
TOTAL NON-OPERATING REVENUES	251,531	0
Changes in net assets	(12,602)	27,870
Net assets beginning of year	243,460	74,985
Net assets end of year	\$ 230,858	102,855

SEE NOTES TO FINANCIAL STATEMENTS.



WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Business-Type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 381,082	0
Cash received from miscellaneous	561	83,626
Cash payments to employees for services	(307,054)	(55,756)
Cash payments to suppliers for goods or services	(278,629)	0
Net cash provided by(used in) operating activities	(204,040)	27,870
Cash flows from non-capital financing activities:		
State grants received	8,294	0
Federal grants received	186,347	0
Net cash provided by non-capital financing activities	194,641	0
Cash flows from capital and related financing activities:		
Purchase of capital assets	(157,655)	0
Net cash used in capital and related financing activities	(157,655)	0
Cash flows from investing activities:		
Interest on investments	9,756	0
Net cash provided by investing activities	9,756	0
Net increase(decrease) in cash and cash equivalents	(157,298)	27,870
Cash and cash equivalents at beginning of year	209,166	74,985
Cash and cash equivalents at end of year	\$ 51,868	102,855
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (264,133)	27,870
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	47,134	0
Depreciation	17,951	0
Increase in inventories	(5,450)	0
Increase in accounts payable	682	0
Decrease in salaries and benefits payable	(19)	0
Decrease in unearned revenue	(205)	0
Net cash provided by(used in) operating activities	\$ (204,040)	27,870
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 51,868	102,855
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		

During the year ended June 30, 2007, the District received Federal commodities valued at \$47,134.  
SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$          9,829
<b>Total assets</b>	<u>          9,829</u>
<b>Liabilities</b>	
<b>Total liabilities</b>	<u>                  0</u>
<b>Net assets</b>	<u>\$          9,829</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 462
Total additions	<u>462</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,350</u>
Change in net assets before other financing sources:	(888)
Other financing sources:	
Transfer in	<u>10,717</u>
Change in net assets	9,829
Net assets beginning of year	<u>0</u>
Net assets end of year	<u><u>\$ 9,829</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The West Delaware County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Manchester, Ryan, Dundee, Greeley, and Masonville, Iowa, and the predominate agricultural territory in Delaware and Buchanan Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Delaware County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Delaware County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Delaware and Buchanan Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is used to account for resources used in the acquisition of equipment and improvements and maintenance to capital facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is

charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax

accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized



since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction and support services function exceeded the amount budgeted.

### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

### (3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 584,331
Debt Service	Physical Plant and Equipment Levy	253,127
Capital Projects	Physical Plant and Equipment Levy	2,042,739
Private Purpose Trust	Expendable Trust	10,717
Total		<u>\$ 2,890,914</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 62,250	10,000	0	72,250
Construction in progress	452,881	5,573,666	0	6,026,547
Total capital assets not being depreciated	<u>515,131</u>	<u>5,583,666</u>	<u>0</u>	<u>6,098,797</u>
Capital assets being depreciated:				
Buildings	5,183,908	167,421	0	5,351,329
Land improvements	267,873	359,173	0	627,046
Machinery and equipment	2,654,676	431,684	51,372	3,034,988
Total capital assets being depreciated	<u>8,106,457</u>	<u>958,278</u>	<u>51,372</u>	<u>9,013,363</u>
Less accumulated depreciation for:				
Buildings	5,092,055	9,850	0	5,101,905
Land improvements	152,564	18,933	0	171,497
Machinery and equipment	1,959,260	210,239	51,372	2,118,127
Total accumulated depreciation	<u>7,203,879</u>	<u>239,022</u>	<u>51,372</u>	<u>7,391,529</u>
Total capital assets being depreciated, net	<u>902,578</u>	<u>719,256</u>	<u>0</u>	<u>1,621,834</u>
Governmental activities capital assets, net	<u>\$ 1,417,709</u>	<u>6,302,922</u>	<u>0</u>	<u>7,720,631</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 170,618	157,655	0	328,273
Less accumulated depreciation	145,178	17,951	0	163,129
Business-type activities capital assets, net	<u>\$ 25,440</u>	<u>139,704</u>	<u>0</u>	<u>165,144</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 87,866
Support services:	
Administration	11,220
Transportation	<u>111,153</u>
	210,239
Unallocated depreciation	<u>28,783</u>
Total governmental activities depreciation expense	<u>\$ 239,022</u>
Business-type activities:	
Food services	\$ 17,951
Total business-type activities depreciation expense	<u>\$ 17,951</u>

#### (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 3,785,000	0	410,000	3,375,000	435,000
Capital Loan Notes	2,075,000	0	145,000	1,930,000	185,000
Early Retirement	468,042	72,065	101,572	438,535	103,484
Total	<u>\$ 6,328,042</u>	<u>72,065</u>	<u>656,572</u>	<u>5,743,535</u>	<u>723,484</u>

#### Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of January 1, 2006			
	Interest Rates	Principal	Interest	Total
2008	4.00 %	\$ 435,000	136,941	571,941
2009	4.00	450,000	119,541	569,541
2010	4.00	465,000	101,541	566,541
2011	4.00	480,000	82,941	562,941
2012	4.10	495,000	63,741	558,741
2013-2014	4.10-4.15	1,050,000	65,649	1,115,649
Total		\$ 3,375,000	570,354	3,945,354

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$378,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Capital Loan Notes

Details of the District's June 30, 2007 capital loan notes indebtedness is as follows:

Year Ending June 30,	Note Issue of January 1, 2006				
	Interest Rates		Principal	Interest	Total
2008	3.65 %	\$	185,000	71,032	256,032
2009	3.65		190,000	64,280	254,280
2010	3.65		200,000	57,345	257,345
2011	3.65		210,000	50,045	260,045
2012	3.65		215,000	42,380	257,380
2013-2016	3.70-3.75		930,000	87,995	1,017,995
Total		\$	1,930,000	373,077	2,303,077

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each employee is a maximum of \$315 per month contribution toward single health insurance coverage until age 65. The employee will also receive \$40 per day of unused sick leave. The early retirement benefits paid during the year ended June 30, 2007, totaled \$101,572.

#### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$503,923, \$483,580 and \$471,712 respectively, equal to the required contributions for each year.

#### **(7) Risk Management**

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$50,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

West Delaware County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$558,796 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the amounts budgeted.

**(10) Construction Commitment**

The District has entered into various contracts of \$7,972,899 for the capital construction of the building addition and renovations. As of June 30, 2007, costs of \$6,026,547 had been incurred against the contracts. The balance remaining at June 30, 2007 will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,911,229	391,604	8,302,833	8,750,615	8,750,615	(447,782)
Intermediate sources	18,945	0	18,945	2,000	2,000	16,945
State sources	7,665,915	8,294	7,674,209	7,440,485	7,440,485	233,724
Federal sources	490,028	233,481	723,509	831,900	831,900	(108,391)
Total revenues	16,086,117	633,379	16,719,496	17,025,000	17,025,000	(305,504)
Expenditures:						
Instruction	9,814,693	0	9,814,693	9,251,808	9,251,808	(562,885)
Support services	4,381,846	10,751	4,392,597	4,389,735	4,389,735	(2,862)
Non-instructional programs	12,005	635,230	647,235	782,810	782,810	135,575
Other expenditures	7,435,558	0	7,435,558	9,838,901	9,838,901	2,403,343
Total expenditures	21,644,102	645,981	22,290,083	24,263,254	24,263,254	1,973,171
Excess(deficiency) of revenues over(under) expenditures	(5,557,985)	(12,602)	(5,570,587)	(7,238,254)	(7,238,254)	1,667,667
Other financing sources, net	53,905	0	53,905	7,500	7,500	46,405
Excess(deficiency) of revenues and and other financing sources over(under) expenditures	(5,504,080)	(12,602)	(5,516,682)	(7,230,754)	(7,230,754)	1,714,072
Balance beginning of year	9,388,757	243,460	9,632,217	9,967,972	9,967,972	(335,755)
Balance end of year	\$ 3,884,677	230,858	4,115,535	2,737,218	2,737,218	1,378,317

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency and Internal Service Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Nonmajor Special Revenue Funds				Total
	Manage- ment Levy	Student Activity	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 238,798	253,675	492,473	288,427	780,900
Receivables:					
Property tax:					
Current year delinquent	4,104	0	4,104	0	4,104
Succeeding year	308,464	0	308,464	0	308,464
Accounts	0	3,823	3,823	0	3,823
<b>TOTAL ASSETS</b>	<b>\$ 551,366</b>	<b>257,498</b>	<b>808,864</b>	<b>288,427</b>	<b>1,097,291</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 0	4,488	4,488	0	4,488
Salaries and benefits payable	0	1,694	1,694	0	1,694
Deferred revenue:					
Succeeding year property tax	308,464	0	308,464	0	308,464
Total liabilities	308,464	6,182	314,646	0	314,646
Fund balances:					
Reserved for:					
Debt service	0	0	0	288,427	288,427
Unreserved:					
Undesignated	242,902	251,316	494,218	0	494,218
Total fund balances	242,902	251,316	494,218	288,427	782,645
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 551,366</b>	<b>257,498</b>	<b>808,864</b>	<b>288,427</b>	<b>1,097,291</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds					Total
	Manage-	Student	Expendable	Total	Debt	Other
	ment	Activity	Trust	Special	Service	Nonmajor
	Levy			Revenue		Governmental
				Funds		Funds
REVENUES:						
Local sources:						
Local tax	\$ 295,207	0	0	295,207	0	295,207
Other	22,519	626,480	0	648,999	2,462	651,461
State sources	209	0	0	209	0	209
TOTAL REVENUES	317,935	626,480	0	944,415	2,462	946,877
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	108,102	0	0	108,102	0	108,102
Special instruction	4,440	0	0	4,440	0	4,440
Other instruction	0	640,200	0	640,200	0	640,200
Support services:						
Student services	9,548	0	0	9,548	0	9,548
Instructional staff services	1,696	0	0	1,696	0	1,696
Administration services	12,546	0	0	12,546	0	12,546
Operation and maintenance of plant services	90,512	0	0	90,512	0	90,512
Student transportation	40,664	0	0	40,664	0	40,664
Non-instructional programs:						
Food service operations	12,005	0	0	12,005	0	12,005
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	555,000	555,000
Interest and fiscal charges	0	0	0	0	261,468	261,468
TOTAL EXPENDITURES	279,513	640,200	0	919,713	816,468	1,736,181
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)						
EXPENDITURES	38,422	(13,720)	0	24,702	(814,006)	(789,304)
OTHER FINANCING SOURCES (USES):						
Transfers in	0	0	0	0	837,458	837,458
Transfers out	0	0	(10,717)	(10,717)	0	(10,717)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(10,717)	(10,717)	837,458	826,741
Net change in fund balance	38,422	(13,720)	(10,717)	13,985	23,452	37,437
Fund balance beginning of year	204,480	265,036	10,717	480,233	264,975	745,208
Fund balance end of year	\$ 242,902	251,316	0	494,218	288,427	782,645

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Special Programs Activity	\$ 712	0	712	0
Special Programs Learning Aids	635	0	0	635
Special Programs Special Olympics	5,626	3,183	1,857	6,952
District-Wide Destination Imagination	8,096	758	645	8,209
District-Wide Interest	7,633	3,987	446	11,174
Elem Vocal Music	258	0	258	0
Elem Band	122	0	122	0
Elem Book Fair	5,158	0	5,158	0
Elem Activity	6,568	0	6,568	0
Elem Faculty Vending	1,849	0	1,849	0
Elem Resale-Pencils	2,264	345	447	2,162
Elem Playground Fundraiser	1,184	1,296	1,081	1,399
Elem Lambert Fundraising	39,058	26,267	29,931	35,394
Elem Green School Project	1,954	4,234	3,831	2,357
MS Drama	91	0	91	0
MS Vocal Music	1,483	0	1,483	0
MS Band	2,924	0	2,924	0
MS Softball	361	0	361	0
MS Book Fair	4,342	0	4,342	0
MS Activity	45,742	0	45,742	0
MS 5th Grade Activity	565	0	195	370
MS 8th Grade Field Trip	2,559	7,415	9,974	0
MS Rivers Day Activity	205	734	939	0
MS Peer Helpers	1,651	658	860	1,449
MS Faculty Vending	1,731	0	1,731	0
MS Student Council	92	0	92	0
MS FFA	55	0	55	0
MS Behavior Support	200	50	0	250
MS Yearbook	26	0	26	0
HS Concession Stand	14,406	22,323	27,610	9,119
HS Drama	1,278	11,553	10,706	2,125
HS Speech	1,192	11,087	7,279	5,000
HS Vocal Music	4,974	37,137	41,314	797
HS Vocal Fundraisers	64	0	0	64
HS Band	3,321	7,207	5,713	4,815
HS Band Fundraisers	9,134	22,052	31,186	0
HS Cheerleading	5,135	2,496	4,217	3,414
HS Boys Basketball	0	17,556	17,556	0
HS Football	23,868	47,793	48,051	23,610
HS Boys Soccer	843	3,923	3,853	913
HS Baseball	(1,284)	10,867	10,413	(830)
HS Boys Track	(7)	25,442	24,571	864
HS Boys Cross Country	1,081	846	1,138	789
HS Boys Tennis	39	0	0	39

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Boys Golf	0	1,619	1,939	(320)
HS Wrestling	246	24,200	24,446	0
HS Girls Basketball	385	14,834	15,219	0
HS Volleyball	0	25,655	25,208	447
HS Girls Soccer	109	3,859	3,991	(23)
HS Softball	(465)	25,124	25,316	(657)
HS Girls Track	987	6,635	5,730	1,892
HS Girls Cross Country	302	1,253	1,548	7
HS Girls Golf	(52)	1,056	1,288	(284)
HS Activity Tickets	149	7,191	7,340	0
HS Book Fair	168	13,213	7,987	5,394
HS Activity	1,158	57,531	(616)	59,305
HS Faculty Vending	1,197	8,129	3,500	5,826
HS Student Vending	852	4,646	2,622	2,876
HS After Prom	47	1,503	1,400	150
HS Art	1,555	3,115	3,874	796
HS SADD	1,306	0	0	1,306
HS Student Council	2,465	6,974	6,940	2,499
HS Fundraising	4,251	0	4,251	0
HS Foreign Language Fundraising	0	2,019	1,928	91
HS Back to School Fundraiser	0	1,059	0	1,059
Class of 2004	0	49	0	49
Class of 2006	1,486	0	286	1,200
Class of 2007	12,225	0	12,094	131
Class of 2008	0	35,468	26,842	8,626
Class of 2010	0	10	10	0
HS FFA	2,515	25,780	26,849	1,446
HS Athletic Equipment	0	26,776	20,768	6,008
HS National Honor Society	1,430	3,232	2,413	2,249
HS Yearbook	20,772	28,937	23,977	25,732
HS YADC	2,238	627	123	2,742
HS Dance Team	150	1,171	551	770
HS FBLA	2,372	25,498	27,049	821
HS FCCLA	0	108	0	108
Total	\$ 265,036	626,480	640,200	251,316

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	6,144,866	6,040,121	5,979,031	5,338,738
Tuition		475,862	469,363	424,314	375,884
Other		1,290,501	1,027,705	733,515	619,639
Intermediate sources		18,945	1,648	992	2,225
State sources		7,665,915	7,069,095	6,830,325	6,728,038
Federal sources		490,028	525,365	534,309	620,330
Total	\$	16,086,117	15,133,297	14,502,486	13,684,854
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	6,245,118	5,876,112	5,507,524	5,470,527
Special instruction		1,778,297	1,604,609	1,421,712	1,807,235
Other instruction		1,791,278	1,668,535	1,687,515	1,248,063
Support services:					
Student services		506,034	506,248	461,371	475,490
Instructional staff services		627,900	637,959	606,391	744,472
Administration services		1,231,530	1,655,746	1,139,647	1,151,947
Operation and maintenance of plant services		1,295,088	1,119,330	919,307	847,699
Transportation services		721,294	669,179	631,989	606,693
Non-instructional programs		12,005	10,773	8,177	4,000
Other expenditures:					
Facilities acquisitions		6,060,294	221,750	91,893	182,404
Long-term debt:					
Principal		555,000	22,428	273,056	266,233
Interest		261,468	52,292	7,306	15,339
AEA flow-through		558,796	539,508	539,265	550,205
Total	\$	21,644,102	14,584,469	13,295,153	13,370,307

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 07	\$ 47,134
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	22,816
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	163,531
			<u>186,347</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6592-G	165,204
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 07	2,161
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	86,017
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 07	11,480
SAFE AND DRUG-FREE SCHOOLS - STATES GRANTS	84.186	FY 07	6,054
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 07	48,788
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 07	27,623
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	20,357
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 07	90,037



WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS (COMSERV)			
	94.004	FY 07	4,500
TOTAL			\$ 695,702

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Delaware County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
West Delaware County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Delaware County Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Delaware County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Delaware County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Delaware County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Delaware County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Delaware County Community School District's financial statements that is more than inconsequential will not be prevented or detected by West Delaware County Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

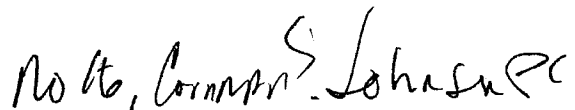
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Delaware County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

West Delaware County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Delaware County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Delaware County Community School District and other parties to whom West Delaware County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Delaware County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

April 30, 2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
West Delaware County Community School District

Compliance

We have audited the compliance of West Delaware County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. West Delaware County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Delaware County Community School District's management. Our responsibility is to express an opinion on West Delaware County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Delaware County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Delaware County Community School District's compliance with those requirements.

In our opinion, West Delaware County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of West Delaware County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Delaware County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Delaware County Community School District's internal control over compliance.

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A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Delaware County Community School District and other parties to whom West Delaware County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

April 30, 2008

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
  - Individual
    - CFDA Number 84.010 - Title I grants to Local Educational agencies
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Delaware County Community School District qualified as a low-risk auditee.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Target and Box Tops for Education were recorded in the Elementary Activity account in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

There are 2004 and 2006 class accounts. These accounts should be closed and allocated to the other student activity accounts.

There is a Playground Equipment account. This account should be transferred to the Physical Plant and Equipment Fund where the purchase of equipment is legally allowable.

There are Pencil Resale and Green Schoolhouse accounts. These accounts are not student run organizations and do not appear to be cocurricular in nature and should therefore, be run through the General Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - We will review and correct accounts identified as recommended.

Conclusion - Response accepted.

II-B-07 Accounting for Scoreboard Purchase - We noted during our audit that the District purchased a scoreboard in the Student Activity Fund. To finance the purchase, the District solicited donations to cover the cost of the scoreboard. The expenditure for the purchase was coded to supplies, rather than equipment. The excess donations are recorded in the Student Activity Fund. In addition, the District also received a discount

for the purchase. The original cost of the scoreboard was coded to supplies and the credit was coded to the Student Activity Tickets account.

Recommendation - The donations should be recorded in the fund where the purchase may legally be expended. The balance of excess donations received for the scoreboard should be transferred to the General Fund. In the future, the District should purchase scoreboards in the General Fund and code to the appropriate accounts. In addition, when a discount is received it should be coded against where the expenditures were made, not to another account. The discount should reduce the cost of the scoreboard to provide the real cost of the purchase.

Response - In the future, the District will purchase items out of the General Fund.

Conclusion - Response accepted.

II-C-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The District will attempt to track coaching hours for non-certified staff.

Conclusion - Response accepted.



WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No significant deficiencies were reported.

WEST DELAWARE COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the instruction and support services functions.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will amend the budget in the future to avoid exceeding the certified budget.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period required, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely. We noted no significant deficiencies in the amounts reported.

IV-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to

include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - We will attempt to get a CD from the bank of both the front and back of each cancelled check.

Conclusion - Response accepted.